

## Message Text

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15

ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 L-03 H-02 PA-01 PRS-01 AGR-05 /102 W

----- 052289

R 011616Z AUG 75

FM AMEMBASSY COPENHAGEN

TO SECSTATE WASHDC 1295

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY DUBLIN

USDEL MTN GENEVA

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY ROME

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E.O. 11652: N/A

TAGS: EFIN, EEC, DA, PFOR

SUBJECT: EC COMMISSION RECOMMENDATION OF JOINT  
MEASURES TO STIMULATE THE ECONOMY

REF: (A) EC BRUSSELS 6770; (B) COPENHAGEN 2046

1. SUMMARY. THE EC COMMISSION'S RECOMMENDATION FOR  
ECONOMIC STIMULUS MAY GIVE THE DANISH GOVERNMENT  
MORAL SUPPORT FOR EXPANSIONARY MEASURES ALREADY  
CONTEMPLATED BUT WILL HAVE LITTLE EFFECT ON THEIR  
CONTENT. THE SCOPE OF THESE MEASURES IS IN ANY  
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EVENT LIMITED BY DOMESTIC FISCAL, MONETARY, AND

POLITICAL CONSIDERATIONS. END SUMMARY.

2. THE EC COMMISSION'S RECOMMENDATION (REF A) THAT MOST MEMBER STATES TAKE ADDITIONAL STIMULATIVE MEASURES WILL GIVE THE LABOR-ORIENTED DANISH GOVERNMENT MORAL SUPPORT FOR EXPANSIONARY UNEMPLOYMENT REMEDIES -- ANNOUNCED BUT NOT YET REVEALED -- THAT IT INTENDS TO SUBMIT TO THE FOLKETING NEXT FALL. THE EC RECOMMENDATION, HOWEVER, IS UNLIKELY TO SOFTEN THE OPPOSITION PARTIES' HOSTILITY TO MEASURES JEOPARDIZING HARD-WON INFLATION AND BALANCE OF PAYMENTS GAINS. ON THE OTHER HAND, THE RESOLUTION MAY STRENGTHEN THE GOVERNMENT'S RESOLVE TO RESIST ANY OPPOSITION PROPOSALS THAT WOULD SACRIFICE EMPLOYMENT TO A BETTER EXTERNAL BALANCE.

3. IN ANY EVENT THE GOVERNMENT'S ABILITY TO DEVISE EXPANSIONARY FISCAL AND MONETARY MEASURES IS LIMITED BY FACTORS OTHER THAN POLITICAL. EXTENSIVE TAX CUTTING, FOR EXAMPLE, IS UNLIKELY. AN EARLIER REDUCTION IN INCOME TAXES, EFFECTIVE JANUARY 1, 1975, HAS FAILED TO PRODUCE AN INCREASE IN CONSUMER DEMAND. FURTHERMORE, BECAUSE THE TAX CUT WAS NOT ACCOMPANIED BY COMMENSURATE CURTAILMENT OF PUBLIC EXPENDITURES, LIQUIDITY HAS GROWN TO THE POINT THAT THE GOVERNMENT HAS INSTITUTED BOND SALES TO AVOID CAPITAL OUTFLOW AND BALANCE OF PAYMENTS PRESSURES. TAX CUTS FOR INVESTORS REMAIN A POSSIBILITY, BUT THEIR IMPACT WOULD BE BOTH SLOW AND LIMITED. AS FOR PUBLIC WORK PROGRAMS, THE GOVERNMENT HAS ALREADY INCREASED IMPLEMENTATION OF THOSE READILY EXPANDABLE. OTHER PROGRAMS WOULD REQUIE CONSIDERABLE TIME BEFORE HAVING MORE THAN LIMITED IMPACT.

5. GOVERNMENT POLICY MAKERS ARE FURTHER CONSTRAINED BY TH NECESSITY TO AVOID AN EXPANSION OF DOMESTIC DEMAN WHICH MIGHT JEOPARDIZE DENMARK'S EXPORT CAPABILITY -- BOTH TO AVOID DETERIORATION IN THE PRESENTLY DIFFICULT INTERNATIONAL SITUATION AND TO TAKE ADVANTAGE OF AN INTERNATIONAL UPTURN LIMITED OFFICIAL USE

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WHEN IT OCCURS.

6. WHILE THE DANES ARE NOT LIKELY TO BE MUCH INFLUENCED BY THE COMMISSION'S RECOMMENDATION, THEY WILL CHEER ITS APPLICATION BY OTHER MEMGER STATES IN HOPES THAT EXPANSION THERE WILL INCREASE DEMAND FOR DANISH EXPORTS.  
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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC RECOVERY, TRADE, ECONOMIC PROGRAMS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 01 AUG 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** buchandr  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975COPENH02193  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750267-0391  
**From:** COPENHAGEN  
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**Image Path:**  
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**Legacy Key:** link1975/newtext/t19750887/aaaacywp.tel  
**Line Count:** 115  
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**Office:** ACTION EUR  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 EC BRUSSELS 6770, 75 COPENHAGEN 2046  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** buchandr  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 18 APR 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <18 APR 2003 by CunninFX>; APPROVED <30 SEP 2003 by buchandr>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** EC COMMISSION RECOMMENDATION OF JOINT MEASURES TO STIMULATE THE ECONOMY  
**TAGS:** EFIN, PFOR, DA, EEC  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006